August 2009

# Defeat Debt

Credit Advisors Foundation

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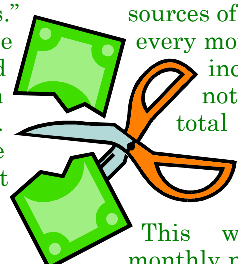
## Back To The Budgeting Basics

Students are heading back to school around the country in the next couple of weeks. The first few weeks of school are always reserved for getting "back to the basics." Children aren't the only ones who could benefit from reviewing the basics. Adults should take time this fall to get "back to the basics" in their own lives.



Only a quarter of Americans feel well enough informed to successfully manage their household finances. Getting "back to the budgeting basics" will help with managing your finances. Creating a budget can be a daunting task, but we offer these simple steps to help you get started:

**Identifying your goals**. Determine your short-term and long-term goals. Do you want to purchase a home next year, take a vacation, pay off your student loans, or become debt free in less than five years? What is it that you want most? Identifying your financial goals will help you determine how much money to set aside each month in order to achieve your goals within your desired time-frame.

**Determine your monthly income**. Make sure net (after taxes) income is used, and don't forget income can come in many forms. Some frequently forgotten sources of income include rental income, investment dividends, and child support or alimony. Can you think of any other sources of income you receive every month? If you have an income source that is not paid monthly, total how much you receive over the course of the year and divide it by 12. This will give you a monthly net income figure to use in your budget.

**Always pay yourself first**. Set a savings goal of at least 3% to 5% of your gross income. Put this amount into your company's 401(k) or a savings account every time you are paid and include this amount as a fixed expense in your budget.

**Track all your expenses for a month.** Keep a little notebook in your purse or pocket to record all transactions.

**While keeping track of expenses, remember that there are two different kinds.** Fixed expenses don't change from month-to-month, like mortgage payments, rent and vehicle payments. Variable expenses are different amounts every month, like food, utilities, and entertainment expenses. As you list your expenses identify each as fixed or variable.

**Remember to include your periodic expenses**. These are expenses you do not pay every month. Vehicle registration and licensing, health and car insurance, and medical co-pays are all examples of periodic expenses. Figure out how much you pay for these periodic expenses over the course of the year and divide that number by 12. This will provide you with the total amount needed to save every month in order to pay for these periodic expenses when they arise. Consider putting this money into a savings account until you must make the payment.

**Subtract your total monthly expenses from your total net income**. Do you have a positive amount (in the black) or a negative amount (in the red) left over at the end of the month?

**Analyze and make adjustments to your budget**. Even if your budget is "in the black" try to reduce or eliminate your expenses.

Look for black holes in your budget from your expense tracking list. Black holes are unnecessary expenses or high amounts you did not realize you were spending. Some examples are: cable television, car washes, cigarettes, cell phones, coffeehouse coffee, lunches out, alcohol, vending machines, bottled water,

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# Budgeting Basics

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interest charges on credit cards, manicures, and memberships that go unused. Try to reduce or eliminate these black holes.

Another way to save money is to decrease the amount you spend on your variable expenses every month. Variable expenses are the easiest expense to adjust. Can you turn the thermostat up or down to save money on your utilities? Can you carpool to spend less on gas every month? Be creative as you work to decrease your variable expenses.

Include everyone in your household on the budget creation process. Your children and/or spouse may know of additional monthly expenses. They also can help you think of ways to adjust the family budget. When the entire family works together on budget development, everyone gains a better understanding of what it takes to manage the family's finances.

A budget can always be adjusted. The best way is to track your daily transactions and compare them with your budget. If you find you are always spending more than you expected in an area, review your priorities and goals to determine if the additional funds are justified. You can budget more money for that item if you make certain you subtract the same amount from another category to maintain a balanced budget.

Now, all it takes is perseverance to follow your budget. Remember to always look towards your goals for motivation. If you find you have extra money at the end of the month, consider putting it towards your debt management program. Call your Account Manager and tell them how much extra you would like to contribute. They will help you decide what account would benefit most from the extra payment. Making an extra payment will help you pay off your creditors sooner, saving you money on interest charges and getting you closer to your goals.

For more budgeting tips and tricks visit our web site at www.creditadvisors.org or find us on Twitter or Facebook. You can also call one of our Certified Credit Counselors or your Account Manager at 800-942-9027; they would be happy to help you "get back to the budgeting basics."

# Assessing Your DMP's Progress

You decided to pay off all your creditors and enrolled in a Credit Advisors Debt Management Program (DMP). As you review your E-Progress statement, you start to wonder exactly what progress is being made. How long will it be until you are completely debt free?

Assessing your progress is very important. It reinforces your commitment to becoming debt free and provides you with a realistic time-line for achieving your goals. Progress can only be measured by remembering your situation before beginning the program. How were the debts being managed then? What interest rates and fees were being assessed. How long was it going to take to pay off your creditors? Typically by just paying the minimum payment it takes 10 plus years to pay off the balance on a credit card. Do you remember receiving collection calls, e-mails, or letters? Did you receive any judgment notices?

Now to assess where you are and where you are going. You have a debt management plan and all your creditors have responded to the DMP proposals. You know approximately how long it will take you to pay off all your debts (hint: check your contract). At the beginning of the DMP process there is a flurry of activity– filling out paperwork, setting up payment arrangements, sending proposals to creditors, negotiating on counter-offers, verifying account numbers, and monitoring statements looking for the accounts to be set up on the plan. Let's not forget the phone calls- lots and lots of phone calls between creditor, client and Account Manger. Then the plans settles in. Regular payments come in from clients. Regular disbursements go out to creditors. This is the time that seems to drag on forever.

But you are making progress. Timely and consistent payments are fulfilling your promise to the creditor to repay your total debt. Timely and consistent payments justify to the creditor their faith in your commitment to the program. It shows that the concessions granted on interest rates and fees were earned through your efforts to stay on track. This is the time frame were the debts are slowly but surely eroded. It is also the time when your credit begins to rebuild. If your accounts were eligible to re-age as part of the creditors concessions, now is the time where a record of timely payments begins to build over months. Credit reports carry the overall rating of an account but also a notation of the exact payment history for the last 24 months. Your accounts may show that at one time they were in arrears but are now current. Month by month you rebuild your credit reputation until your record show 24 consecutive months of on-time payments. So keep in mind that while this middle period seems to drag, your consistent actions are rebuilding your record.

Progress picks up again around the 2 1/2 to 3 1/2 year mark depending on your program. Around this time creditors begin to be paid in full. The money that was going to one creditor is now available to add onto another creditor or to be split between designated creditors. It may seem logical to pay off high interest creditors or those with small balances first. However, your Account Manager will probably advise you to focus on high cost creditors first. High cost creditors are not only those that carry high interest rates but also those that are secured by home or auto; are secured by a co-signer; or are secured by legal action. Because of their ability to repossess, impact your personal relationships, or garnish assets, these are also high cost creditors and should be considered first for progress. Work with your Account Manager to determine which debts have the highest "true" costs to you.

Communicating with your Account Manager and monitoring your correspondence from creditors are the best ways to judge your progress. Read all letters and statements. Check that postings are correct, that interest rates and fees are in line with the plan, read any change of terms notifications, pay attention to due date changes, and follow minimum amount due figures. If there is a question on any of these items, contact your Account Manager immediately. The success of your program depends on it.

Remember the state of your account before the program, focus on the plan and keep your eyes on your long term goals. Being debt free is within your reach.

## Matt Has The Experience

Credit Advisors is proud of our dedicated staff. This year we are introducing our Account Managers. They are the “go-to” people for those on a Credit Advisors Debt Management Program. Account Managers make sure every aspect of the program runs smoothly.

Matt Ortmeier serves clients in: Arkansas, Delaware, Georgia, Illinois, Kansas, Maine, New Hampshire, New Mexico, North Carolina, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia.

**Defeat Debt:** How long have you worked at Credit Advisors?

**Matt:** Since October of 2008 (10 months).

**Defeat Debt:** What is your favorite aspect of your job?

**Matt:** Basically just being able to provide people with relief in a stressful situation.

**Defeat Debt:** How did you previous work experiences prepare you for your position at Credit Advisors Foundation?

**Matt:** I’ve previously had experience in the credit card industry and know how creditors can sometimes make customers feel overwhelmed.  I try to use that experience to make sure our clients can live their lives a little more stress-free.

**Defeat Debt:** What is a typical workday like for you?

**Matt:** It really depends on the day. There are many aspects of the job that make each day different.  Most of my time is spent contacting creditors on behalf of our clients to resolve any issues that may have come up.

**Defeat Debt:** What are the benefits of being on a Credit Advisors Debt Management Program?

**Matt:** Being able to have one low consolidated payment to pay every creditor each month can take a huge burden off a customer’s shoulders, and still get them out of debt in approximately 3-5 years.  Not to mention the fact that our clients have a personal account manager who has their interests at heart.

**Defeat Debt:** What about the management of accounts would surprise most clients?

**Matt:** I think that most clients would be surprised about all the rules and regulations that each creditor has and how different they actually are when it comes to debt management.

**Defeat Debt:** If you could let your clients know one thing that would increase the success of their program, what would it be?

**Matt:** I would let them know that they should still look at their statements every month even though we are handling the disbursal of payments and that they should contact us whenever something on their statements doesn’t look quite right.

**Defeat Debt:** As the summer heat lingers on we would like to know, what is your favorite ice cream flavor?

**Matt:** I’d have to say not much can really top chocolate chip cookie dough ice cream.

# PIF

It takes time, perseverance, and dedication to become debt free.

Each month, we honor those who paid off all their creditors with a Credit Advisors Debt Management Program.

**July 2009**

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Debt Management Programs Paid In Full

Congratulations!

## Money’s Lighter Side

Many people are feeling stressed right now due to the economic recession. Debt stress can negatively impact a person’s health. Take a moment and laugh off some of your stress with this joke found from Comedy Central’s web site, jokes.com.

A retired man moves near a junior high school. He spends the first few weeks of retirement in peace and quiet. However, when a new school year begins, three young boys beat on every trash can they encounter every day on their way home from school.

Finally, the man decides to take action and walks out to meet the boys. He says, "You kids are a lot of fun. I'll give you each a dollar if you'll promise to come around every day and do your thing." The kids continue to do a bang-up job on the trashcans.

After a few days, the man tells the kids, "This recession's really putting a big dent in my income. From now on, I'll only be able to pay you 50 cents to beat on the cans." The noisemakers are displeased, but they accept his offer.

A few days later, the retiree approaches them again. "Look," he says, "I haven't received my Social Security check yet, so I'm not going to be able to pay more than 25 cents. Will that be OK?"

"A freakin' quarter?" the drum leader exclaims. "If you think we're going to waste our time beating these cans around for a quarter, you're nuts. We quit."

**Credit Advisors Foundation**

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**Were on the Web!**

[Web Site: www.creditadvisors.org](http://www.creditadvisors.org)

Facebook: Become a Fan of Credit Advisors Foundation

Twitter: twitter.com/creditadvisorsf

## Get Out of Debt with No Regret !!

# Free Financial Seminars

**Budgeting Workshop**
August 14, 2009
11am and 2pm CST

**Budgeting For the Holidays**
October 9, 2009
11am and 2pm CST

**Credit Advisors**

1850 South 72nd Street, Omaha, NE 68124

Please RSVP

Call: 402-514-3341
E-mail: todd@creditadvisors.org

If you cannot attend in-person, call our conference line at 1-866-285-7780 code 4425358.